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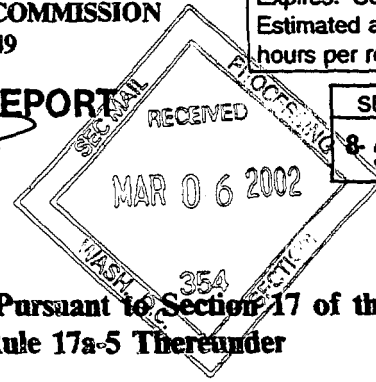


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STATES  
CHANGE COMMISSION  
D.C. 20549

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	September 30, 1998
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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**



SEC FILE NUMBER
850654

**FACING PAGE**  
**Information Required of Brokers and Dealers Pursuant to Section 17 of the**  
**Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/01 AND ENDING 12/31/01  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER:  
STANNARD FINANCIAL SERVICES, LLC

OFFICIAL USE ONLY
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

504 EAST MAIN

(No. and Street)

PIPESTONE MN 56164

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

TODD MORGAN

507-825-4300

(Area Code — Telephone No.)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

MEULEBROECK, TAUBERT & CO., PLLP

(Name — if individual, state last, first, middle name)

216 E MAIN, PO BOX 707, PIPESTONE MN 56164

(Address)

(City)

(State)

Zip Code)

**CHECK ONE:**

- ☒ Certified Public Accountant
- ☐ Public Accountant
- ☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 26 2002**

**THOMSON  
FINANCIAL**

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

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3-22-02

## OATH OR AFFIRMATION

I, MATTHEW TAUBERT, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of STANNARD FINANCIAL SERVICES, LLC, as of DECEMBER 31, 19 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

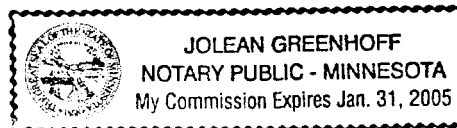
NONE

Matthew Taubert  
Signature

PARTNER

Title

Jolean Greenhoff  
Notary Public



This report\*\* contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☒ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**STANNARD FINANCIAL SERVICES, LLC  
PIPESTONE, MINNESOTA 56164**

**INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2001 AND 2000**

**Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants  
P.O. Box 707  
Pipestone, Minnesota 56164**

Stannard Financial Services, LLC  
Pipestone, Minnesota

**CONTENTS OF REPORT**  
**DECEMBER 31, 2001**

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**MEULEBROECK, TAUBERT & CO., PLLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

PO Box 685  
123 West Main  
Luverne, Minnesota 56156  
507 283-4055 Fax 507 283-4076  
mtcojlf@dtgnet.com

PO Box 707  
216 East Main  
Pipestone, Minnesota 56164  
507 825-4288 Fax 507 825-4280  
mtcocpa@dtgnet.com

Russell, Minnesota 56169  
507 823-4391  
Tyler, Minnesota 56178  
507 247-3939  
Lake Wilson, Minnesota 56151  
507 879-3538

*PARTNERS*

David L. Meulebroeck, CPA  
Matthew A. Taubert, CPA  
David W. Friedrichsen, CPA  
Daryl J. Kanthak, CPA  
Tamara A. Koopman, CPA

**INDEPENDENT AUDITOR'S REPORT**

*WITH THE FIRM*

Michael J. Reker, CPA  
Tamela M. Nelson, CPA  
Crystal R. Leversedge, CPA  
Susan A. Post, CPA  
Amanda K. Baarson, CPA  
Michael K. Dubbelde, PA

To The Members  
Stannard Financial Services, LLC  
Pipestone, Minnesota

We have audited the accompanying balance sheet of Stannard Financial Services (a Limited Liability Company) as of December 31, 2001 and 2000 and the related statements of income and members' equity and cashflows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stannard Financial Services as of December 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules on pages 7, 8, and 9 are presented for the purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Meulebroeck, Taubert & Co., PLLP*  
Meulebroeck, Taubert & Co., PLLP  
Certified Public Accountants

February 13, 2002

**BALANCE SHEET**  
**DECEMBER 31, 2001 and 2000**

<b><u>Assets</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
<b><u>Current Assets</u></b>		
Cash	27,169	12,406
Commissions Receivable	5,580	11,211
Prepaid Assets	6,137	2,227
Total Current Assets	<u>38,886</u>	<u>25,844</u>
 <b><u>Property and Equipment</u></b>		
Equipment	18,765	12,581
Less accumulated depreciation	<u>(8,598)</u>	<u>(5,176)</u>
Total Property and Equipment	<u>10,167</u>	<u>7,405</u>
 <b><u>Other Assets</u></b>		
Other Assets Net of Amortization	<u>49,447</u>	<u>78,063</u>
Total Assets	<u><u>98,500</u></u>	<u><u>111,312</u></u>
 <b><u>Liabilities and Members' Equity</u></b>		
<b><u>Current Liabilities</u></b>		
Accounts Payable	182	418
Accrued Liabilities	2,589	
Commissions Payable		6,431
Total Current Liabilities	<u>2,771</u>	<u>6,849</u>
 <b><u>Members' Equity</u></b>	<u>95,729</u>	<u>104,463</u>
Total Liabilities and Members' Equity	<u><u>98,500</u></u>	<u><u>111,312</u></u>

See accompanying notes to the financial statements.

**STATEMENT OF INCOME AND MEMBERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

<b><u>Revenues</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Commission Received	213,590	177,333
Interest Income	1,114	758
Reimbursements	233	1,699
Total Revenues	<u>214,937</u>	<u>179,790</u>
<b><u>Expenses</u></b>		
Salaries and Benefits	110,631	94,020
Advertising	8,680	3,256
Consulting Fees	9,597	39,475
Amortization	28,616	28,617
Depreciation	3,422	2,410
Automobile		1,798
Miscellaneous	3,806	7,872
Dues and Subscriptions	1,035	3,242
Rent	8,577	7,882
Insurance	3,133	1,615
Licenses and Permits	4,585	3,644
Office Supplies	4,537	4,276
Postage	4,047	2,071
Professional Development	2,036	59
Professional Fees	21,649	12,484
Repairs	4,618	2,337
Telephone	5,266	5,402
Travel	6,032	6,059
Utilities	3,404	820
Total Expenditures	<u>233,671</u>	<u>227,339</u>
Net Income	(18,734)	(47,549)
Members' Equity-January 1	104,463	133,922
Contributed Capital	10,000	20,000
Distributions to Members		(1,910)
Members' Equity-December 31	<u>95,729</u>	<u>104,463</u>

See accompanying notes to the financial statements.

**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000**

<b><u>Cash Flows From Operating Activities</u></b>	<b><u>2001</u></b>	<b><u>2000</u></b>
Net Income (Loss)	(18,734)	(47,549)
Adjustments To Reconcile Net Income To Net		
Cash Provided By Operating Activities:		
Depreciation	3,422	2,410
Amortization	28,616	28,617
(Increase) Decrease in Commissions Receivable	5,631	(6,521)
(Increase) Decrease in Prepaid Assets	(3,910)	(1,331)
Increase (Decrease) in Accounts Payable	(236)	(566)
Increase (Decrease) in Accrued Liabilities	2,589	(149)
Increase (Decrease) in Commissions Payable	(6,431)	6,031
Increase (Decrease) in Contracts Payable		(12,856)
Net Cash Provided By Operating Activities	10,947	(31,914)
<b><u>Cash Flows From Investing Activities</u></b>		
Purchase of Equipment	(6,184)	(2,659)
Purchase of Other Assets		(25,855)
Net Cash Used By Investing Financing Activities	(6,184)	(28,514)
<b><u>Cash Flows From Capital and Related Financing Activities</u></b>		
Members' Contributions	10,000	20,000
Members' Distributions		(1,910)
Net Cash Provided By Capital and Related Financing Activities	10,000	18,090
Net Increase (Decrease) in Cash	14,763	(42,338)
Cash at January 1	12,406	54,744
Cash at December 31	<u>27,169</u>	<u>12,406</u>

See accompanying notes to the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1**

**Summary of Significant Accounting Policies**

This summary of significant accounting policies of Stannard Financial Services, LLC is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the members who are responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

**A. Nature of Operations**

Stannard Financial Services, LLC is an introductory broker dealer. As an introductory broker dealer, Stannard offers various mutual funds, variable and fixed annuities, face amount certificates and insurance products. Sales are processed by an intermediate broker, with commissions revenues retained by Stannard.

**B. Property, Equipment, and Depreciation**

Property and equipment are valued at cost. Maintenance and repair costs are charged to expense as incurred. Depreciation of equipment is provided using the straight-line method for financial reporting and using the modified accelerated cost recovery system (MACRS) for federal income tax purposes as reported on the members' K-1's. For 2001 and 2000, depreciation expense was \$3,422 and \$2,410, respectively, for financial reporting purposes.

**C. Other Assets**

Other Assets include a cost of \$117,725 allocated to the purchase of files, records, and miscellaneous equipment and \$25,357 for organization costs incurred at the time of the Company's inception. These costs are being amortized over a period of five years for financial reporting purposes.

**D. Income Taxes**

The Company is treated as a partnership for federal income tax purposes and does not incur income taxes. Instead, its earnings and losses are included in the personal returns of the members and taxed depending on their personal tax situations. The financial statements do not reflect a provision for income taxes.

**E. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**Note 1      Summary of Significant Accounting Policies - continued**

**F.      Limited Liability of Members**

Liability of the individual members of the company is limited to their investment in the company.

**Note 2      Rent**

The company rents its office space in Pipestone, Minnesota. The lease is an annual lease with payments of \$500 due monthly. During 2000, the office building was purchased by LLC member Todd Morgan. On December 18, 2001, the company entered into a new lease agreement calling for monthly lease payments of \$500 per month, starting January 1, 2002. The lease term will end January 1, 2003.

**Note 3      Simple Plan**

During the years ended December 31, 2001 and 2000, the company participated in a Savings Incentive Match Plan for Employees (SIMPLE). The terms of the plan allow employees to contribute a percentage of their compensation, up to \$6,000. The company has elected to match the employees contributions up to a maximum of 2% of the employees compensation. The company match for 2001 and 2000 was \$1,911 and \$1,629, respectively.

**NET CAPITAL COMPUTATION**  
**DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Total Assets	98,500	111,312
Total Liabilities	<u>2,771</u>	<u>6,849</u>
Net Capital	95,729	104,463
Adjustments:		
Property and Equipment	(10,167)	(7,405)
Other Assets	<u>(49,447)</u>	<u>(78,063)</u>
Total Adjustments	<u>(59,614)</u>	<u>(85,468)</u>
Adjusted Net Capital	36,115	18,995
Required Net Capital	<u>5,000</u>	<u>5,000</u>
Excess Net Capital	<u><u>31,115</u></u>	<u><u>13,995</u></u>

**SCHEDULE OF AGGREGATE INDEBTEDNESS/NET CAPITAL RATIO**  
**DECEMBER 31, 2001 AND 2000**

	<u>2001</u>	<u>2000</u>
Aggregate Indebtedness	<u>2,771</u>	<u>6,849</u>
Net Capital	<u>36,115</u>	<u>18,995</u>
Ratio of Aggregate Indebtedness to Net Capital	<u>7.7%</u>	<u>36.1%</u>

**SCHEDULE OF MATERIAL INADEQUACIES**  
**DECEMBER 31, 2001**

**Material Inadequacies**

None